

## **Exhibit 10**

**LG Electronics Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2006 and 2005**

**1. The Consolidated Companies and Equity Method Investees**

The accompanying consolidated financial statements include the accounts of LG Electronics Inc. (LGE or Controlling Company) and its subsidiaries (collectively referred to as the “Company”). General information on the controlling company, its consolidated subsidiaries and its equity method investees is described below:

**The Controlling Company**

LG Electronics Inc. (the “Company”) was spun off from LG Electronics Investment Ltd. (formerly LG Electronics Inc.) on April 1, 2002, to engage in the manufacture and sale of electronic, and information and communication products. Former LG Electronics Inc. was incorporated in October 1958 under the Commercial Code of the Republic of Korea to manufacture and sell electronics, and information and communication products, and had its shares listed on the Korea Stock Exchange in April 1970.

As of December 31, 2006, the Company operates manufacturing facilities mainly in Kuro, Pyeongtaek, Chongju, Gumi and Changwon in the Republic of Korea.

As of December 31, 2006, the Company has outstanding capital stock amounting to ₩809,169 million, including non-voting preferred stock. The Company’s stock was relisted on the Korean Stock Exchange on April 22, 2002, and its depositary receipts (“DRs”) were relisted on the London Stock Exchange in September 2002.

As of December 31, 2006, LG Corp. and its related parties own 31.1% of the Company’s total stocks including common stock and preferred stock, while financial institutions, foreign investors and others own the rest of the Company’s common stocks.

**Consolidated Subsidiaries and Equity Method Investees**

Consolidated subsidiaries and equity method investees as of December 31, 2006, are as follows:

*(in millions of Korean won)*

(in millions of Korean won)

Company	Shareholders' equity	Capital Stock	Total issued and outstanding shares	Shares owned by			Percentage of ownership (%)
				LGE	Subsidiaries	Total	
<b>Domestic subsidiaries</b>							
LG Micron Ltd.	376,842	37,500	7,500,000	2,699,702	-	2,699,702	36.00
LG Innotek Co., Ltd.	232,041	43,104	8,620,800	6,017,400	-	6,017,400	69.80
LG.Philips LCD Co., Ltd.	6,866,487	1,789,079	357,815,700	135,625,000	-	135,625,000	37.90
Hi Plaza Inc.	116,383	37,200	7,440,000	7,440,000	-	7,440,000	100.00
Hi Business Logistics	15,998	3,600	720,000	720,000	-	720,000	100.00
LG fund for small and medium enterprises	12,839	15,000	1	1	1	1	50.00
<b>Domestic equity method investees</b>							
Hankuk Electric Glass Co., Ltd.	514,726	40,367	8,073,375	1,614,675	-	1,614,675	20.00
Blue Ocean Investment Fund	11,767	6,000	1	1	1	1	83.33
LG-Nortel Co., Ltd.	360,604	10,000	2,000,000	999,999	-	999,999	50.00
Korea Information Certificate Authority Inc.	17,187	21,565	4,280,000	400,000	-	400,000	9.35
Paju Electric Glass Co., Ltd.	44,382	36,000	3,600,000	-	1,440,000	1,440,000	40.00

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(in millions of Korean won)	Shareholders' equity	Capital Stock	Total issued and outstanding shares	Shares owned by			Percentage of ownership (%)
Company				LGE	Subsidiaries	Total	
Overseas subsidiaries							
LG Electronics Alabama, Inc. (LGEAL)	71,620	30	266	-	266	266	100.00
LG Electronics Almaty Kazak Co., Ltd. (LGEAK)	28,171	3,746	1	1	1	1	100.00
LG Electronics Antwerp Logistics N.V. (LGEAL)	1,275	967	10,000	-	10,000	10,000	100.00
LG Electronics Australia Pty, Ltd. (LGEAP)	18,273	1,558	2,685,000	2,685,000	-	2,685,000	100.00
LG Electronics Klima Sanayi ve Ticaret P.S. (LGEAT)	93,310	49,596	288,000	144,000	-	144,000	50.00
LG Electronics Da Amazonia Ltda. (LGEAZ)	113,126	80,354	1	1	1	1	100.00
LG Electronics Colombia Ltda. (LGECEB)	14,282	12,988	1	1	1	1	100.00
LG Electronics China Co., Ltd. (LGECH)	13,544	75,002	1	1	1	1	100.00
LG Electronics Canada, Inc. (LGECI)	19,668	13,779	42,900	42,900	-	42,900	100.00
LG Electronics Inc. Chile Limitada (LGECL)	7,567	8,678	1	1	1	1	100.00
LG Electronics Czech S.R.O. (LGECHZ)	9,034	6,534	1	1	1	1	100.00
LG Electronics Deutschland GmbH (LGEDG)	26,557	26,947	1	1	1	1	100.00
LG Electronics Egypt S.A.E. (LGEEG)	5,114	3,562	144,000	120,960	-	120,960	84.00
LG Electronics Espana S.A. (LGEES)	11,286	17,408	219,390	-	219,390	219,390	100.00
LG Goldstar France S.A.R.L. (LGEFS)	9,559	12,430	69,848	-	69,848	69,848	100.00
LG Electronics Gulf FZE (LGEGF)	8,415	8,312	29	29	-	29	100.00
LG Electronics HK Limited (LGEHK)	5,918	9,397	6,752,817	6,752,817	-	6,752,817	100.00
LG Electronics Nature (Hangzhou) Recording Media Co., Ltd.(LGEHN)	10,858	11,303	1	1	1	1	70.00
LG Electronics Hellas S. A. (LGEHS)	4,628	9,668	1,000,000	-	1,000,000	1,000,000	100.00
LG Electronics Huizhou Inc. (LGEHZ)	59,185	26,845	1	1	1	1	80.00
LG Electronics India PVT Ltd. (LGEIL)	199,675	32,076	112,649,459	112,649,459	-	112,649,459	100.00
PT LG Electronics Indonesia Ltd. (LGEIN)	101,660	80,134	1,397	1,397	-	1,397	100.00
LG Electronics Italy S.P.A. (LGEIS)	15,864	22,702	18,785,000	-	18,785,000	18,785,000	100.00
LG Electronics Japan Inc. (LGEJP)	10,136	12,978	1,380,000	1,380,000	-	1,380,000	100.00
Kunshan LGMS Computer Co., Ltd. (LGEKS)	8,394	7,790	1	1	1	1	100.00
LG Electronics Mlawa SP.Zo.o. (LGEMA)	137,913	133,618	278,027	278,027	-	278,027	100.00
LG Electronics Morocco S.A.R.L. (LGEMC)	3,215	3,352	315,213	315,213	-	315,213	100.00
GoldStar MobileComm.France S.A.S.U(LGEMF)	6,883	5,621	1	1	1	1	100.00
LG Electronics Magyar Kft (LGEMK)	10,225	9,748	1	1	1	1	100.00
LG Electronics (M) SDN.BHD (LGEML)	4,457	7,869	28,515,181	28,515,181	-	28,515,181	100.00
LG Electronics Monterrey Mexico S.A. DE C.V. (LGEMM)	35,802	71,902	70,162	70,006	156	70,162	100.00
LG Electronics Mexico S.A. DE C.V. (LGEMS)	44,789	27,685	134,601	134,301	300	134,601	100.00
LG MITR Electronics Co., Ltd. (LGEMT)	12,859	17,770	5,076,000	5,076,000	-	5,076,000	100.00
LG Electronics MobileComm U.S.A. Inc. (LGEMU) (Subsidiary of LGEUS)	32,372	12,263	10,000	-	10,000	10,000	100.00
LG Electronics Mexicali S.A.D.E C.V.(LGEMX)	3,295	14,925	513,625	-	513,625	513,625	100.00
LG Electronics (Nanjing) Plazma Co., Ltd. (LGENTP)	13,393	29,415	1	1	1	1	100.00
Nanjing LG-Tontru Color Display System Co., Ltd. (LGEND)(Formerly LGENT)	38,125	20,816	1	1	1	1	70.00
LG Electronics Philippines, Inc. (LGEPH) (formerly LGEPM)	1,460	22,181	739,036	739,036	-	739,036	100.00
LG Electronics Polska SP.Zo. O. (LGEPL)	21,188	9,189	28,366	-	28,366	28,366	100.00

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				LGE	Subsidiaries	Total	
Nanjing LG Panda Appliances Co., Ltd. (LGEPN)	33,137	14,165	1	1	1	1	70.00
<b>Overseas subsidiaries</b>							
LG Electronics Peru S.A. (LGEPR)	8,696	12,382	38,521,822	38,521,822	-	38,521,822	100.00
LG Electronics Panama S.A. (LGEPS)	19,287	5,255	52,408	52,408	-	52,408	100.00
LG Electronics Portugal (LGEPT)	13,317	20,926	1	1	1	1	100.00
Qingdao LG Inspur Digital Communication Co., Ltd.(LGEQD)	22,489	17,611	1	1	1	1	70.00
LG Electronics Qinhuangdao Co., Ltd. (LGEQH)	9,734	7,024	1	1	1	1	100.00
LG Electronics RUS, LLC(LGERA)	32,823	34,372	1	1	1	1	100.00
LG Electronics Russia Inc. (LGERI)	12,637	412	2,410	2,290	-	2,290	95.00
LG Electronics Romania S.R.L (LGERO)	10,019	7,350	5	-	5	5	100.00
LG Electronics Reynosa. S.A. DEC.V. (LGERs)	50,605	46,757	70,576,292	-	70,576,292	70,576,292	100.00
LG Electronics S.A. Pty Ltd. (LGESA)	18,601	18,204	115,900,000	115,900,000	-	115,900,000	100.00
LG Electronics Service Europe Netherlands B.V. (LGEEH)(Formerly LGESE)	21,678	3,985	6,544	6,544	-	6,544	100.00
LG Electronics European Logistics & Services B.V.(LGELS)	7,192	3,268	1	1	1	1	100.00
LG Electronics European Shared Service Center B.V. (LGESC)	1,416	176	150,000	-	150,000	150,000	100.00
LG Electronics Benelux(LGEBN)	6,416	21	18,000	-	18,000	18,000	100.00
LG Electronics JIT Europe B.V.(LGEJE)	406	25	180	-	180	180	100.00
Shanghai LG Electronics Co., Ltd. (LGESH)	15,456	12,728	1	1	1	1	70.00
LG Electronics Singapore Pte Ltd. (LGESL)	3,987	7,027	11,083,999	11,083,999	-	11,083,999	100.00
LG Electronics de Sao Paulo Ltda. (LGESP)	88,025	79,106	1	1	1	1	100.00
LG Electronics Sweden AB (LGESW)	7,492	9,874	76,157	-	76,157	76,157	100.00
LG Electronics Shenyang Inc. (LGESY)	40,972	18,616	1	1	1	1	78.87
LG Electronics Tianjin Appliance Co., Ltd. (LGETA)	141,862	122,490	1	1	1	1	80.00
LG Electronics Thailand Co., Ltd. (LGETH)	41,897	17,261	6,138,995	6,138,995	-	6,138,995	100.00
Taizhou LG-Chunlan Home Appliances Co., Ltd.(LGETR) (formerly LGECT)	52,289	67,644	1	1	1	1	100.00
LG Taistar Electronics Taiwan Co., Ltd. (LGETT)	17,045	18,981	52,892,542	52,892,542	-	52,892,542	100.00
LG Electronics United Kingdom Ltd. (LGEUK)	7,573	34,723	192,000	-	192,000	192,000	100.00
LG Electronics U.S.A., Inc. (LGEUS)	101,579	23,879	32,884	32,884	-	32,884	100.00
LG Electronics Vietnam Co., Ltd. (LGEVN)	12,422	5,525	1	1	1	1	100.00
LG Electronics Wales Ltd. (LGEWA)	836,880	418,932	2,042,203	-	2,042,203	2,042,203	100.00
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	25,244	24,101	1	1	1	1	72.00
LG Software PVT, Ltd. (LGSL)	118,229	648,128	9,946,000	9,946,000	-	9,946,000	100.00
Zenith Electronics Corporation (Zenith)	(52,850)	-	2,000	-	2,000	2,000	100.00
EIC Properties PTE, Ltd.	8,980	24,914	34,170,000	13,052,940	-	13,052,940	38.20
LGE (China) R&D Center	8,107	8,201	1	1	1	1	100.00
LG Holdings (HK) Ltd	206,032	228,747	204,006,285	64,914,800	-	64,914,800	31.82
Beijing LG Building Development	115,983	172,011	1	1	1	1	100.00
LG Electronics Overseas Trading FZE (Dubai)	(40,741)	352	1	1	-	1	100.00
LG.Philips LCD America,Inc.	9,409	6,082	5,000,000	5,000,000	-	5,000,000	100.00
LG.Philips LCD Japan Co., Ltd.	4,559	1,088	1,900	1,900	-	1,900	100.00
LG.Philips LCD Germany GmbH	4,064	1,252	960,000	960,000	-	960,000	100.00
LG.Philips LCD Taiwan Co., Ltd.	12,400	4,189	11,550,000	11,549,994	-	11,549,994	100.00
LG.Philips LCD Nanjing Co., Ltd.	208,655	177,854	1	1	1	1	100.00
LG.Philips LCD Hong Kong Co., Ltd.	6,014	1,736	115,000	115,000	-	115,000	100.00

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				LGE	Subsidiaries	Total	
LG.Philips LCD Shanghai Co., Ltd.	3,967	596	1	1	1	1	100.00
LG.Philips LCD Poland Sp. zo.o.	65,806	76,590	2,385,900	2,385,900	-	2,385,900	100.00
LG.Philips LCD Guangzhou Co.,Ltd.	36,891	38,264	1	1	1	1	100.00
LG Innatek Huizhou Co., Ltd.	25,473	9,741	1	1	1	1	100.00
LG Innatek Yantai Co., Ltd.	13,400	16,857	1	1	1	1	100.00
PT.LG Innatek Indonesia	6,670	5,564	5,000	-	5,000	5,000	100.00
LG Innatek USA Inc.	3,181	1,582	10,000	-	10,000	10,000	100.00
LG Innatek Poland Co., Ltd.	2,337	2,337	1	1	1	1	100.00
LG Micron(Fujian) Electronics Co., Ltd.	22,003	31,309	1	1	1	1	80.00
<b>Overseas equity method investees</b>							
Hitachi-LG Data Storage Inc. (HLDS)	24,058	15,681	30,000	14,700	-	14,700	49.00
LG Electronics Austria GmbH (LGEAG)	7,770	6,094	1	1	1	1	100.00
LG Electronics Argentina S.A. (LGEAR)	1,493	4,583	1	1	1	1	100.00
LG Electronics Egypt Cairo S.A.E. (LGEEC)	2,010	4,382	13,510	13,510	-	13,510	100.00
LG Electronics Middle East Co., Ltd. (LGEME)	462	462	32,999	32,999	-	32,999	100.00
LG Electronics Mobile Research U.S.A.,LLC (LGEMR)	3,428	2,104	1	1	1	1	100.00
LG Electronics Ukraine Co., Ltd. (LGEUR)	1,041	1,041	1	1	1	1	100.00
LG Electronics Wroclaw Sp.Zo.o. (LGEWR)	58,918	55,363	181,018	181,018	-	181,018	100.00
LG.Philips Displays Holding B.V.	(526,605)	2,563,304	68,182	-	34,090	34,090	50.00
Electromagnetica Goldstar S.R.L.	508	1,003	2,650	1,325	-	1,325	50.00
SLD TELECOM Pte. Ltd.	184,272	267,860	246,150,000	62,458,000	-	62,458,000	25.37
Triveni Digital Inc.	1,072	1,972	22,357,500	19,500,000	-	19,500,000	87.22
LG Electronics RUS-Marketing, LLC (LGERM)	702	408	1	1	1	1	100.00
Hi Logistics China Company Limited	5,265	5,176	1	1	1	1	100.00
Hi Logistics Europe B.V.	2,576	1,477	12,000	-	12,000	12,000	100.00
LG Pasig	2,567	2	100	-	51	51	51.00
LG Micron(Taiwan) Ltd.	27	31	1	1	1	1	100.00
LG Electronics Latvia, LLC.(LGELV)	4,912	4,936	1	1	1	1	100.00
LG-SHAKER Co., Ltd (LGESR)	9,176	9,176	371,250	181,913	-	181,913	49.00
LG Electronics Africa Logistics FZE(LGEAF)	759	759	1	1	1	1	100.00

<sup>1</sup> There are no issued and outstanding shares since this is not a corporation.

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The consolidated subsidiaries and equity method investees are classified in accordance with the Enforcement Decree on External Audit for Corporations and the financial accounting standards for consolidated financial statements.

Newly consolidated subsidiaries as of December 31, 2006, are as follows:

<b>Consolidated subsidiaries</b>	<b>Remarks</b>
GoldStar MobileComm.France	
S.A.S.U (LGEMF)	Total assets increased to more than ₩7,000 million
LG Electronics RUS, LLC(LGERA)	Total assets increased to more than ₩7,000 million
LG. Philips LCD Guangzhou Co.,Ltd	The subsidiary was newly established in 2006
LG fund for small and medium enterprises	Total assets increased to more than ₩7,000 million
LG Innoteck Poland., LTD	Total assets increased to more than ₩7,000 million
LG Electronics European Logistics & Services B.V (LGELS)	The subsidiary was newly established in 2006.
LG Electronics European Shared Service Center B.V. (LGESC)	The subsidiary was newly established in 2006.
LG Electronics Benelux(LGEBN)	The subsidiary was newly established in 2006.

The excluded subsidiary as of December 31, 2006, but was consolidated as of December 31, 2005, was:

<b>Excluded subsidiary</b>	<b>Remark</b>
PT LG Electronics Display Devices Indonesia (LGEDI)	The subsidiary was merged with PT LG Electronics Indonesia (LGEIN) on January 1, 2006.

The primary business activities of the consolidated subsidiaries are as follows:

**(1) LG. Philips LCD Co., Ltd.**

LG.Philips LCD Co., Ltd. was incorporated in February 1985, to manufacture and sell Thin Film Transistor Liquid Crystal Display ("TFT-LCD"). On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. ("Philips") and the Company entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name from LG LCD Co., Ltd. to LG.Philips LCD Co., Ltd. effective August 27, 1999, and on August 31, 1999, the Company issued new shares of common stock to Philips for ₩725,000 million.

In July 2004, pursuant to Securities Registration Statement filed on July 16, 2004, with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for ₩298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004, with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares ("ADSs") for proceeds of US\$ 748,800 thousand. In September 2004, pursuant the "Underwriting Agreement" dated July 15, 2004, the Company issued an additional 1,715,700 shares of common stock in the form of ADSs for proceeds of US\$ 51,471 thousand. In July 2005, pursuant to a Form F-1 Registration statement filed on July 22, 2005, with the U.S. Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of American Depositary Shares ("ADSs") for proceeds of US\$

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1,189,656 thousand. In addition, pursuant to the "Underwriting Agreement" dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$ 196,144 thousand.

**(2) LG Innotek Co., Ltd.**

LG Innotek Co., Ltd. was incorporated in February 1976, to manufacture and sell electronics, electrics and machinery components. As of December 31, 2006, the head office is in Seoul and its manufacturing plants are in Gumi and Gwangju. It merged with LG Connect and Development Co., Ltd in March 1999 and transferred the system business to Nex1 Future Co., Ltd. in July 2004.

**(3) Hi Plaza Inc.**

Hi Plaza Inc. was incorporated in May 1997, to sell electronics, and information and communication products, which LGE manufactures, in the domestic market. As of December 31, 2006, the head office is in Seoul and it operates 191 distributors throughout the country. Hi Plaza Inc. changed its name in October 1998.

**(4) LG Micron Ltd.**

LG Micron Ltd. was incorporated in May 1983, to manufacture and sell electronic components such as shadow mask and photo mask. LG Micron Ltd. listed its shares on the Korea Stock Exchange in December 2000.

**(5) LG Electronics USA Inc. ("LGEUS")**

LG Electronics USA Inc. was incorporated in New Jersey, U.S.A., in August 1978, to sell electronics, and information and communication products, which LGE manufactures, in the U.S.A.

**(6) LG Electronics U.K. Ltd. ("LGEUK")**

LG Electronics U.K. Ltd. was incorporated in Slough, United Kingdom, in December 1986, to sell electronics, and information and communication products, which LGE manufactures, in the United Kingdom.

**(7) Other consolidated subsidiaries**

Other than the subsidiaries above, there are 91 other consolidated subsidiaries including Hi Business Logistics, nine subsidiaries of LG.Philips LCD Co., Ltd., five subsidiaries of LG Innotek Co., Ltd., a subsidiary of LG Micron Ltd. and 75 overseas subsidiaries selling and manufacturing LGE's products.

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The primary business activities of the equity-method investees are as follows:

**(1) LG.Philips Displays Holding B.V.**

LG.Philips Displays Holding B.V. was incorporated in Netherlands in June 2001, to manufacture and sell color braun tubes and related products.

**(2) LG-Nortel Co., Ltd.**

LG-Nortel Co., Ltd. was incorporated in Seoul in October 2005, to manufacture and sell communication equipment.

**(3) Hankuk Electric Glass Co., Ltd.**

Hankuk Electric Glass Co., Ltd. was incorporated in Gumi in May 1974, to manufacture and sell glasses related to color braun tube and computer monitors.

**(4) Paju Electric Glass Co., Ltd.**

Paju Electric Glass Co., Ltd. was incorporated in Paju in January 2005, to manufacture and sell glass products.

**(5) Other equity method investees**

Other than the above, there are other 21 equity method investees consisting of two domestic investees and 19 overseas investees, including SLD Telecom Pte. Ltd.

A summary of financial data of the major consolidated subsidiaries as of December 31, 2006 and for the year ended December 31, 2006, prior to the elimination of intercompany transactions, follows:

<i>(in millions of Korean won)</i>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Net assets</b>	<b>Sales</b>	<b>Net income (loss)</b>
LG.Philips LCD Co., Ltd. <sup>1</sup>	₩ 13,487,787	₩ 6,598,111	₩ 6,889,676	₩ 10,624,200	₩ (769,313)
LG Micron Ltd. <sup>1</sup>	1,007,652	626,407	381,245	838,197	20,804
LG Innotek Co., Ltd. <sup>1</sup>	677,019	452,411	224,608	1,197,064	3,043
Hi Plaza Inc.	192,998	76,615	116,383	667,729	1,183
LG Electronics USA Inc.	911,188	762,414	148,774	3,238,420	27,548
LG Electronics U.K. Ltd.	279,506	270,862	8,644	927,920	2,626
Others	14,085,406	10,743,072	3,342,334	36,283,652	45,538
Total	<u>₩ 30,641,556</u>	<u>₩ 19,529,892</u>	<u>₩11,111,664</u>	<u>₩ 53,777,182</u>	<u>₩ (668,571)</u>

<sup>1</sup> These financial data are based on consolidated financial statements.



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**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized as follows:

**Basis of Consolidated Financial Statement Presentation**

The Company maintains its official accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

**Accounting Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

**Application of the Statements of Korean Financial Accounting Standards**

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards ("SKFAS"), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS No. 15 through 17 became applicable to the Company on January 1, 2005, the Company adopted these Standards in its financial statements as of and for the year ended December 31, 2005.

And as SKFAS No. 18 through 20 became effective for the Company on January 1, 2006, the Company adopted these Standards in its financial statements for the year ended December 31, 2006.

**Principles of Consolidation**

The fiscal year end of the consolidated subsidiaries is the same as that of the Controlling Company. Differences in accounting policy between the Controlling Company and consolidated subsidiaries are adjusted during consolidation.

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The accompanying consolidated financial statements include the accounts of LGE and its subsidiaries. Under the financial accounting standards for consolidated financial statements in the Republic of Korea, a company is regarded as a subsidiary of another if more than 50% of its issued share capital is held by the other company, or more than 30% of its issued share capital is held by the other company and that company is the largest shareholder. In cases where there are two or three investors with more than 30% ownership in the issued share capital of an investee and such investors, individually, are the largest shareholders, the investor, which belongs to a conglomerate along with the investee as defined by Monopoly Regulation and Fair Trade Act in the Republic of Korea, is required to consolidate such investee. Investments in 20% to 50% owned affiliated companies or investments in affiliated companies over which the Company exerts a significant influence are accounted for using the equity method. Under the equity method, the original investment is recorded at cost and adjusted by the Company's share in the undistributed earnings or losses of these companies.

All significant intercompany transactions and balances with consolidated subsidiaries have been eliminated during consolidation.

To eliminate the investment account of the controlling company and corresponding capital accounts of subsidiaries, the purchase method or the pooling of interest method is applied, depending on the nature of the transaction. In using the purchase method, when the Company has a control over a subsidiary, the Company records differences between the initial investment accounts and corresponding capital accounts of subsidiaries as goodwill or negative goodwill, which is amortized over five years using the straight-line method over the estimated useful lives, which range from five to ten years. When the Company has a significant influence over equity method investees, differences between the initial investment accounts and corresponding capital accounts of equity method investees are also amortized over five years using the straight-line method.

Unrealized profit included in inventories, property, plant and equipment and other assets as a result of intercompany transactions is eliminated. Unrealized profit arising from sales by the controlling company to consolidated subsidiaries or equity method investees is fully eliminated and charged to the equity of the controlling company. Unrealized profit, arising from sales by the consolidated subsidiaries or equity method investees to the controlling company or sales between consolidated subsidiaries or equity method investees, is fully eliminated and charged to the equity of the controlling company and minority interest based on the percentage of ownership ratio.

The Company records the equity of the consolidated subsidiaries, which is not included in the equity of the controlling company, as a minority interest in consolidated subsidiaries. In addition, if losses of the consolidated subsidiaries included in minority interest are in excess of minority interest, the deficit in excess of minority interest is charged to the equity of the controlling company. Until losses charged to the equity of the controlling company are recovered, all gains on related consolidated subsidiaries are recognized in the equity of the controlling company.

**Revenue Recognition**

Revenues from finished products and merchandise are recognized when goods are delivered and most of the risks and benefits associated with the possession of goods are substantially transferred. Revenue from installation service contracts is recognized using the percentage-of-completion method.

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**Cash and Cash Equivalents**

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

**Investments in Securities**

The Company accounts for equity and debt securities under the provisions of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be classified into three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities whose fair value may not be determined, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings by independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are charged to capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the statement of income when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities after the amortization of discounts or premiums.

**Equity Method Investments**

Investments in equity securities of companies, over which the Company exercises significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

The Company discontinues the equity method of accounting for investments when the Company's share in the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are amortized over five years using the straight-line method, and the amortization is charged to current operations. In addition, proportionate share in the difference between fair value of the investee's identifiable assets (liabilities) and book value is amortized according to the investee's accounting for the assets and liabilities.

Unrealized profit included in inventories and property, plant and equipment from transactions between the Company and equity method investees is calculated based on gross margin by product and eliminated considering the percentage of ownership. However, unrealized profit arising from sales by the Company to equity method investees which are its consolidated subsidiaries is fully eliminated. Unrealized profit arising from sales between equity method investees is also eliminated considering the percentage of ownership.

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**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts based on the aggregate estimated collectibility of the accounts.

**Inventories**

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for inventories in-transit which is determined using the specific identification method. If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss, is to reduce the inventory to its net realizable value. The valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss cease to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The reversal is a deduction from cost of sales.

In 2006, the Controlling Company changed its method of determining the cost of inventory from the yearly-average cost method to the monthly-average cost method. Since the Company cannot determine the cumulative effect of applying the new accounting policy to all prior periods, it was accounted for applying prospectively from the start of the earliest period practicable. The financial statements as of and for the year ended December 31, 2005, have not been restated to reflect this change.

**Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date (₩929.6: US\$1 as of December 31, 2006 and ₩1,013: US\$1 as of December 31, 2005), and resulting translation gains or losses are recognized in current operations. However, convertible bonds in foreign currency are translated into Korean won at the agreed rate of exchange, considering the exercise of conversion rights by the creditors.

Foreign currency financial statements of consolidated subsidiaries and equity method investees are translated into Korean won using the exchange rates in effect at the balance sheet date for assets and liabilities, historical exchange rate at the date of transaction for shareholder's equity, and average monthly exchange rates for income and expenses. Any resulting translation gain or loss is included in shareholders' equity.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals which enhance the value of the assets over their most recently appraised value are capitalized.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely, and recognizes an impairment loss when the carrying value of an asset exceeds the value of its future economic benefits. The carrying value of the impaired assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

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In 2005, the Controlling Company reduced its estimate of the useful lives of moulds in Digital appliance division from five years to two years. The Company believes that the new estimate more accurately reflects the results of technological changes. This change resulted in an increase in depreciation for the year ended December 31, 2005, by ₩101,816 million.

**Intangible Assets**

Intangible assets are stated at acquisition cost, net of accumulated amortization. Acquisition cost is the total of the production or purchase cost and other incidental expenses. Amortization is computed using the straight-line method over the estimated useful lives, which range from five to ten years.

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. An impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the asset, net of amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

**Research and Development Costs**

Research costs are expensed as incurred. Development costs directly relating to a new technology or new products, for which the estimated future benefits are probable, are recognized as intangible assets. Amortization of development costs is computed using the straight-line method over five years from the commencement of the commercial production of the related products. Such costs are subject to continual analysis of recoverability. In the event that such amounts are not estimated to be recoverable, they are written down to their net realizable value.

**Borrowing Costs**

Interest and other financial costs incurred on borrowings used to acquire property, plant and equipment, intangible assets and investments are all charged to expense as incurred.

**Derivative Financial Instruments**

The Company utilizes several derivative financial instruments ("derivatives") such as forward exchanges, swaps and option contracts to reduce its exposure resulting from fluctuations in foreign currency and interest rates. The derivatives are carried at fair market value. Unrealized gains or losses on derivatives for trading or fair value hedging purposes are recorded in current operations. Unrealized gains or losses on derivatives for cash flow hedging purposes are recorded in current operations for the portion of the hedge that is not effective. For the portions of cash flow hedges which are effective, unrealized gains or losses are accounted for in the capital adjustments account and recorded in current operations in the period when the underlying transactions have an effect on operations.

**Convertible Bonds**

The Company recorded the equity component of the convertible bonds (conversion rights) by deduction the fair value of the liability component from the issue proceeds. The liability component is shown gross with the full face amount recorded as liability and a contra adjustment account (conversion rights adjustment) as a deduction from the liability to arrive at a net amount equal to its fair value. The Company is obligated to pay guaranteed interest if and when the convertible bond matures without exercise and has accrued this interest if and when the convertible bond matures without exercise and has accrued this interest as an adjustment to the carrying value of the liability component.



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**Discounts (Premiums) on Debentures**

Discounts (premiums) on debentures are amortized using the effective interest rate method over the repayment period of the debentures. The amortized amount is included in interest expense.

**Treasury Stock**

Treasury stock are stated at cost and recorded as a capital adjustment in shareholders' equity. Gain on disposal of treasury stock is recorded as a capital surplus. Any loss on disposal of treasury stock is offset against prior gains on disposal of treasury stock included in capital surplus. The remaining loss is offset against retained earnings.

**Stock Appreciations plan**

Compensation costs for stock options granted to employees and executives are recognized on the basis of intrinsic value. Under the intrinsic value basis method, compensation costs for stock option plans are determined by calculating the difference between the exercise price and the market price of the underlying stock. Stock-based compensation cost is remeasured at each reporting date, based on the intrinsic value of the award, and is recognized as expense over the agreed minimum service period.

**Product Warranty**

The Company provides warranties against product defects for a specified period of time after sale. Estimated costs of product warranties are charged to current operations at the time of sale and are included in the accompanying consolidated balance sheets as a product warranty reserve.

**Accrued Severance Benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum severance payment upon termination of their employment with LGE and its domestic subsidiaries, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

Contributions made under the National Pension Plan and severance insurance deposits are deducted from accrued severance benefits. Contributed amounts are refunded from the National Pension Plan and the insurance companies to employees upon their retirement.

Overseas subsidiaries accrue employees' retirement benefits according to the local regulations in which they operate.

**Income Taxes**

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are computed on such temporary differences, including available net operating loss carryforwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. Deferred income tax assets are recognized to the extent that it is almost certain that such deferred income tax assets will be realized.

The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the period. However, the tax effects of certain items occurring during the period and relating to components of shareholders' equity are charged or credited directly to related components of shareholders' equity.

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Tax credits for investments and development of research and manpower are accounted for using the flow-through method, whereby income taxes are reduced in the period the assets that gave rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred income tax assets, subject to realizability as stated above, are recognized for the carryforward amount.

**Sale of Accounts and Notes Receivable**

The Company sells certain accounts and notes receivable to financial institutions at a discount, and accounts for the transactions as a sale of the receivables, if the rights and obligations relating to the receivables are substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

**Government grants**

Government grants, which are to be repaid, are recognized as liabilities. Government grants, which are not required to be repaid and are intended to be used for the acquisition of assets, are deducted from the cost of the specified assets after their acquisition. Cash received in relation to grants given prior to the acquisition of assets is included in the cash balance but with an equal and opposite contra adjustment.

The government grants, contributed to compensate for specific expenses, are offset against the related expenses. Other government grants, for which the use or purpose is not specified, are recorded as gains from assets received, and are recognized in current operations.

**Present Value Discount**

The difference between the nominal value and the present value of long-term receivable and payables is amortized using the effective interest rate method with interest income or expense adjusted accordingly.

**Duty Refunds**

The Company records duty refunds as a deduction from cost of sales.

**Lease Transactions**

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a term longer than 75% of the estimated economic life of the leased property, or have a present value of the minimum lease payments at the beginning of the lease term amounting to more than 90% of the fair value of the leased property, are accounted for as capital leases. Leases that do not meet these criteria are accounted for as operating leases, of which the total minimum lease payments are charged to expense over the lease period on a straight-line basis.

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**Reconciliation of the Differences in Accounting Policies**

For the year ended December 31, 2006, the following adjustments were made on the equity method investees to reconcile the differences in accounting policies between the Company and consolidated subsidiaries:

<i>(in millions of Korean won)</i>	<b>Adjustment</b>	<b>Amount</b>
LG.Philips LCD Co., Ltd.	Adjustment capitalized interest expense to expense as incurred	₩ 41,535
LG Holdings (HK) Ltd.	Adjustment capitalized interest expense to expense as incurred	19,613
Subsidiary of LG Holdings (HK) Ltd.	Adjustment capitalized interest expense to expense as incurred	2,859

**3. Financial Instruments**

As of December 31, 2006, short-term financial instruments amounting to ₩43,067 million (2005: ₩52,299 million) and long-term financial instruments amounting to ₩ 99,159 million (2005: ₩19,267 million) are deposited in connection with maintaining checking accounts, various short-term borrowings and long-term debt, and research and development projects funded by the government. The withdrawal of these financial instruments is restricted.

**4. Short-Term Investments**

Short-term investments as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Trading securities (money market fund)	₩ 747	₩ 6,475

**5. Receivables**

Receivables, including trade accounts and notes receivable, as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>				<b>2005</b>			
	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Discounts on present value</b>	<b>Carrying value</b>	<b>Original amount</b>	<b>Allowance for doubtful accounts</b>	<b>Discounts on present value</b>	<b>Carrying value</b>
Trade accounts and notes receivable	₩ 4,191,975	₩ (133,146)	₩ -	₩ 4,058,829	₩ 4,593,946	₩ (140,731)	₩ (467)	₩ 4,452,748
Short-term loans	23,782	(1,423)		22,359	24,452	(1,298)	-	23,154
Other accounts receivable	878,827	(57,908)		820,919	637,227	(12,220)	-	625,007
Accrued income	66,541	(545)		65,996	48,081	(530)	-	47,551
Advance payments	114,392	(3,179)		111,213	72,842	(3,060)	-	69,782
Long-term loans	118,866	(1,061)		117,805	107,312	(1,026)	-	106,286
	₩ 5,394,383	₩ (197,262)	₩ -	₩ 5,197,121	₩ 5,483,860	₩ (158,865)	₩ (467)	₩ 5,324,528

As of December 31, 2006, trade bills negotiated through banks that have not yet matured



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amounted to approximately ₩4,216,153 million. The ₩3,585,076 million in trade bills to overseas subsidiaries were accounted for short-term borrowings in consolidation process (Notes 13 and 17).

In accordance with the Asset Securitization Law, the Company entered into a sales contract with LG Electronics 2nd Securitization Specialty L.L.C. to transfer its trade receivables amounting to ₩190,000 million on May 18, 2006. Through the asset-backed securitization of trade receivables, the Company acquired the 2nd-class beneficiary certificate of ₩47,381 million at December 31, 2006, included under the trade accounts receivable.

In September 2004, LG. Philips LCD Co., Ltd., a subsidiary, entered into a five-year accounts receivable securitization program (the "Program") with a financial institution. The Program allows the Company to sell, on a revolving basis, an undivided interest up to US\$300 million in eligible accounts receivables of four subsidiaries, namely, LG.Philips LCD America ("LPLA"), LG.Philips LCD Germany ("LPLG"), LG.Philips LCD Taiwan ("LPLT") and LG.Philips LCD Japan ("LPLJ"), while retaining a subordinated interest from a portion of the receivables. The eligible receivables of LPLA and LPLG are sold without legal recourse to third party conduits through LG. Philips LCD America Finance Corporation, a qualifying bankruptcy-remote special purpose entity, which is wholly owned by LPLA but is not consolidated for financial reporting purposes. The eligible receivables of LPLT and LPLJ are sold without legal recourse to third party conduits through ABN AMRO Taipei Branch and ABN AMRO Tokyo Branch, respectively.

As of December 31, 2006, the outstanding balance of securitized accounts receivable held by the third party conduits totaled ₩364,785 million (2005: ₩272,571 million) of which the Company's subordinated retained interest was ₩70,643 million (2005: ₩52,532 million). Accordingly, ₩294,122 million (2005: ₩220,039 million) of accounts receivable balances, net of applicable allowances, was removed from the consolidated balance sheets at December 31, 2006. Losses including the loss on sale of receivables, various program and facility fees associated with the Program totaled approximately ₩15,509 million for the year ended December 31, 2006.

In October 2006, LG. Philips LCD Co., Ltd., a subsidiary entered into a five-year accounts receivable selling program with Standard Chartered Bank. The Company sells accounts receivables of four subsidiaries, namely, LPLA, LPLG, LPLSH and LG.Philips LCD Hongkong ("LPLHK"), on a revolving basis, up to US\$ 469 million. As of December 31, 2006, the amount of accounts receivable recorded as sales is ₩185,633 million.

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**6. Inventories**

Inventories as of December 31, 2006 and 2005, consist of the following:

*(in millions of Korean won)*

		<b>2006</b>		
	<b>Acquisition</b>	<b>Inventory valuation</b>	<b>Carrying</b>	
	<b>cost</b>	<b>allowance</b>	<b>value</b>	
Merchandise and finished products	₩ 3,457,532	₩ (74,115)	₩ 3,383,417	
Work-in-process	626,744	(6,564)	620,180	
Raw materials and supplies	1,646,977	(39,559)	1,607,418	
Other	198,385	(14,381)	184,004	
	<u>₩ 5,929,638</u>	<u>₩ (134,619)</u>	<u>₩ 5,795,019</u>	

*(in millions of Korean won)*

		<b>2005</b>		
	<b>Acquisition</b>	<b>Inventory valuation</b>	<b>Carrying</b>	
	<b>cost</b>	<b>allowance</b>	<b>value</b>	
Merchandise and finished products	₩ 3,324,535	₩ (72,220)	₩ 3,252,315	
Work-in-process	628,220	(656)	627,564	
Raw materials and supplies	1,655,564	(25,053)	1,630,511	
Other	259,641	(8,900)	250,741	
	<u>₩ 5,867,960</u>	<u>₩ (106,829)</u>	<u>₩ 5,761,131</u>	

For the year ended December 31, 2006, LG. Philips LCD Co., Ltd., a subsidiary, recorded ramp-up cost of ₩18,043 million (2005: ₩18,928 million) for the loss incurred due to the inordinary low volume of production.

As of December 31, 2006 and 2005, the inventories are insured against various property risks.

**7. Investment Securities**

Investment securities as of December 31, 2006 and 2005, are as follows:

*(in millions of Korean won)*

	<b>2006</b>	<b>2005</b>
Available-for-sale securities	₩ 54,945	₩ 59,167
Held-to-maturity securities	1,664	2,461
	<u>₩ 56,609</u>	<u>₩ 61,628</u>

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Available-for-sale securities as of December 31, 2006 and 2005, are as follows:

(in millions of Korean won)	Percentage of ownership (%) at December 31, 2006	2006			2005		
		Acquisition cost	Net asset value/Market value	Carrying value	Acquisition cost	Net asset value/Market value	Carrying value
Marketable equity securities							
Nara Mold & Die Co., Ltd.	12.57	₩ 812	₩ 4,016	₩ 4,016	₩ 812	₩ 5,087	₩ 5,087
Odicorp Co., Ltd. <sup>3</sup>	-	-	-	-	318	1,556	1,556
ADP Engineering Co., Ltd.	7.03	75	3,247	3,247	75	7,992	7,992
Digital Device, Inc.	0.65	229	106	106	229	215	215
IDS. <sup>3</sup>	-	-	-	-	608	4,946	4,946
		1,116	7,369	7,369	2,042	19,796	19,796
Non-marketable equity securities							
Domestic companies							
Innopla Co., Ltd.	19.90	245	770	245	245	750	245
Castec Korea Co., Ltd.	5.00	182	865	182	182	766	182
Msoltech <sup>1</sup>	10.00	635	-	-	635	-	-
AL Tech Inc.	8.19	589	286	589	589	247	589
Korea Information Certificate Authority Inc. <sup>2</sup>	-	-	-	-	1,852	1,339	1,852
Association of Electronics Environment	36.04	4,698	5,127	4,698	4,698	5,127	4,698
Temco, Inc. <sup>1</sup>	13.04	1,200	-	-	1,200	-	-
Netgentech. Co., Ltd.	7.5	176	176	176	176	215	176
Manager Society, Inc.	3.70	200	13	200	200	5	200
TU Media Corp.	2.98	6,500	3,154	6,500	6,500	3,158	6,500
ADS Technologies Co., Ltd.	15.00	150	95	150	150	150	150
NARA M Tech, Inc.	19.90	597	395	597	597	597	597
C&M, Inc. <sup>4</sup>	16.53	400	400	400	-	-	-
System A/C <sup>4</sup>	19.90	338	338	338	-	-	-
Standard Lazer System Co., Ltd. <sup>3</sup>	-	-	-	-	250	-	-
Digital World Corporation	1.25	180	4	4	180	130	130
Newco Display Inc. <sup>1</sup>	7.41	400	-	-	400	400	400
Eron Technologies Corporation <sup>1</sup>	0.77	216	-	-	138	-	-
ATMS Co., Ltd.	9.29	938	485	938	438	294	438
3ALogics Inc.	20.59	632	755	632	32	52	32
Others	-	15,559	11,460	13,854	8,253	5,572	8,253
Overseas companies							
Erlang Technology Inc. <sup>1</sup>	6.90	1,129	-	-	1,129	-	-
E2OPEN.COM <sup>1</sup>	3.64	15,694	-	-	15,694	-	-
COMMIT Incorporated	13.47	4,990	1,122	4,990	4,990	4,990	4,990
Monet Mobile Networks <sup>1</sup>	1.90	1,299	-	-	1,299	-	-
SUNPOWER. INC	10.35	1,257	432	1,257	1,257	169	1,257
CMEA II Venture Fund	6.93	3,849	1,377	1,377	3,849	1,377	1,377
Caspian Bank	0.72	930	930	930	1,013	1,013	1,013
Others	-	7,810	6,047	6,047	3,067	1,434	1,304
		70,793	34,231	44,104	59,013	27,785	34,383
Debt securities							
Bonds issued by the government <sup>4</sup>		23	23	23	-	-	-
Convertible bonds issued by NeoDis Co., Ltd.		665	665	665	2,204	2,204	2,204
Convertible bonds issued by Pentamicro Inc.		131	131	131	131	131	131
Others		4,629	2,653	2,653	4,629	2,653	2,653
		5,448	3,472	3,472	6,964	4,988	4,988
		₩ 77,357	₩ 45,072	₩ 54,945	₩ 68,019	₩ 52,569	₩ 59,167

<sup>1</sup> Carrying value was fully written down due to the negative net book value or bankruptcy of the investee company as of December 31, 2006.

<sup>2</sup> In 2006, the investments were reclassified as equity method investments.

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<sup>3</sup> In 2006, the Company sold the investment securities.

<sup>4</sup> New or additional investments made during the year ended December 31, 2006.

<sup>5</sup> Market value or net realized value is based on the recent available financial statements.

Held-to-maturity securities as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Subordinated bonds of ABN-AMRO ABCP	₩ -	₩ 807
Others	1,664	1,654
	<u>₩ 1,664</u>	<u>₩ 2,461</u>

The annual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>		<b>2005</b>	
<b>Maturity</b>	<b>Available-for-sale securities</b>	<b>Held-to-maturity securities</b>	<b>Available-for-sale securities</b>	<b>Held-to-maturity securities</b>
One year or less	₩ 22	₩ 723	₩ -	₩ 807
Over one year to five years	3,450	897	4,988	1,610
Over five years to ten years	-	44	-	44
	<u>₩ 3,472</u>	<u>₩ 1,664</u>	<u>₩ 4,988</u>	<u>₩ 2,461</u>

The details of changes in accumulated gains (losses) on valuation of available-for-sale securities as recorded as capital adjustments for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2006</b>	<b>Gain (loss)</b>	<b>Disposal</b>	<b>Tax effect</b>	<b>December 31, 2006</b>
Nara Mold & Die Co., Ltd.	₩ 3,100	₩ (1,071)	₩ -	₩ 293	₩ 2,322
Odicorp Co., Ltd.	898	562	(1,801)	341	-
ADP Engineering Co., Ltd.	5,740	(4,745)	-	1,305	2,300
Digital Device, Inc.	(10)	(109)	-	30	(89)
IDS.	3,145	-	(4,338)	1,193	-
Others	(1,965)	1,965	745	(745)	-
	<u>₩ 10,908</u>	<u>₩ (3,398)</u>	<u>₩ (5,394)</u>	<u>₩ 2,417</u>	<u>₩ 4,533</u>

**LG Electronics Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	January 1, 2005	Gain (loss)	Disposal	Tax effect	December 31, 2005
Nara Mold & Die Co., Ltd.	₩ 2,107	₩ 2,169	₩ -	₩ (1,176)	₩ 3,100
Tube Media Co., Ltd.	462	331	(793)	-	-
Odicorp Co., Ltd.	1,250	(11)	-	(341)	898
Vodavi Technology Inc.	3,833	-	(3,833)	-	-
Hutchison Telephone	160	-	(160)	-	-
ADP Engineering Co., Ltd.	-	7,917	-	(2,177)	5,740
LG Card Co., Ltd.	-	13,804	(13,804)	-	-
Digital Device, Inc.	-	(14)	-	4	(10)
IDS.	-	4,338	-	(1,193)	3,145
Others	(220)	(2,710)	220	745	(1,965)
	₩ 7,592	₩ 25,824	₩ (18,370)	₩ (4,138)	₩ 10,908

**8. Equity-Method Investments**

Equity-method investments as of December 31, 2006 and 2005, are as follows:

(in millions of Korean won)	Percentage of ownership	2006			2005		
	(%) at	Acquisition	Net asset	Carrying	Acquisition	Net asset	Carrying
	December 31, 2006	cost	value	value	cost	value	value
Domestic companies							
Hankuk Electric Glass Co., Ltd.	20.00	₩ 119,282	₩ 102,945	₩ 96,141	₩ 119,282	₩ 121,295	₩ 111,087
LG fund for small and medium Enterprises <sup>8</sup>	-	-	-	-	5,000	5,000	5,000
Blue Ocean Investment Fund <sup>2,4</sup>	83.33	10,000	10,000	10,000	5,000	5,000	5,000
LG-Nortel Co., Ltd <sup>10</sup>	50.00	153,254	180,302	168,989	153,254	146,674	130,560
Paju Electric Glass Co., Ltd.	40.00	14,400	20,631	19,284	14,400	14,083	14,156
Korea Information Certificate Authority Inc. <sup>6,9</sup>	9.35	1,852	1,607	1,446	-	-	-
		298,788	315,485	295,860	296,936	292,052	265,803
Overseas companies							
Goldstar Electronics Thailand Co.,Ltd. (G.S.T.) <sup>7</sup>	-	-	-	-	36	36	36
Hitachi-LG Data Storage Inc. (HLDS)	49.00	7,684	24,058	29,801	7,684	22,410	30,643
LG Electronics Austria GmbH (LGEAG)	100.00	5,993	7,770	7,281	5,993	5,993	5,993
LG Electronics Argentina S.A. (LGEAR) <sup>1</sup>	100.00	7,410	-	-	7,410	-	-
LG Electronics Egypt Cairo S.A.E. (LGEEC)	100.00	4,382	2,010	2,378	4,382	2,144	3,194
LG Electronics Middle East Co., Ltd. (LGEME) <sup>2</sup>	100.00	462	462	462	462	462	462
Goldstar Mobilecomm France SASU (LGEMF) <sup>8</sup>	-	-	-	-	5,621	5,621	5,621
LG Electronics Mobile Research U.S.A.,LLC (LGEMR) <sup>2</sup>	100.00	2,026	3,428	2,026	2,026	2,026	2,026
LG Electronics North of England Ltd. (LGENE) <sup>7</sup>	-	-	-	-	11,229	-	-
LG Electronics RUS, LLC (LGERA) <sup>8</sup>	-	-	-	-	10,621	10,621	10,621
LG Electronics Ukraine Co., Ltd. (LGEUR) <sup>2</sup>	100.00	1,041	1,041	1,041	1,041	1,041	1,041
LG Electronics Wroclaw Sp.Zo.o. (LGEWR) <sup>4</sup>	100.00	55,364	58,918	53,805	1,004	1,004	1,004
LG Philips Displays Holding B.V. <sup>1,3</sup>	50.00	1,509,997	(224,358)	-	1,509,997	(224,358)	